



## **DIRECTOR SHIRE SERVICES REPORT**

10<sup>th</sup> May 2005

**DSS2      SEWERAGE PRICING**  
**FILE: \*    AMB**

### **SUMMARY:**

Reporting on proposed sewer pricing.



### **DESCRIPTION:**

At Council's Extraordinary meeting on 26 April 2005 a presentation was given by the Strategic Co-ordinator Macleay Water, Anne-Maree Burke on possible ways to further lessen the cost impact of the sewerage pricing on those non-residential customers facing an increase greater than \$5,000.

Council resolved:

'That Council adopt the proposed introduction of Sewerage Pricing in 2005/2006 incorporating the following: -

- Macleay Water to contact "mixed daily use and fire service" meter customers to determine an excess charge relevant to their daily use requirements
- Extending phase-in five (5) years for approximately 20 high cost impact customers
- Macleay Water to report to Council on extended phase-in impacts to residential customers'

Council's resolution confirmed a method to lessen the cost impacts so that the cost implications could be calculated and reported for inclusion in Council's Management Plan.

In total, 50 non-residential customers faced a cost increase greater than \$1,000 due to the new sewerage pricing; 33 customers between \$1,000-\$5,000 and 17 customer greater than \$5,000. The cost increase was predominantly due to the sewerage access charge. It was found that, if the impact of the sewerage access charge could be lessened, cost relief was offered to these 50 customers.

To relieve the cost increase to the 50 customers a multi-front solution was offered; either negate the access charge for meters partly used for fire services or offer a 5-year phase-in to those not effected by fire services. Of these 50 non-residential customers approximately 36 of would be satisfied by the fire service access charge relief and 11 would require a 5-year phase-in of their access charges.

Fire service access charge relief would be offered where a water meter was used as both the day-to-day use for the business and the fire service. Essentially, such a multiple use meter is oversized with respect to the day-to-day use and does not relate to the volume of water disposed to the sewerage system, as any water used for fire fighting purposes is not disposed of to the sewerage system.

To gain the fire service access charge relief a customer would need to engage the professional services of an engineer and have a current certificate of compliance for the fire service. The engineer would be required to ascertain the size of the water meter required for day-to-day use within the business and the size required for fire fighting purposes as per Building Code of Australia requirements. Submission of a copy of this professional engineer's advice and a copy of a current fire service compliance document to Macleay Water would gain access charge relief for the size of the fire service size component.

Some customer's cost increases were not related to fire service requirements and the cost relief proposed was to offer a 5-year phase-in period for the sewerage access charge. This 5-year phase-in would be offered to 11 customers for sewerage access charges only, not for sewerage usage charges and not for liquid trade waste charges, which were already being phased-in.

To implement the proposed cost of relief for the 50 non-residential customers a cross-subsidy by the previously proposed residential customer's bill reduction was proposed.

The 5-year phase-in period has the cost shown in Table 1.

**Table 1: residential bill subsidy for 5-yr phase-in**

Yr	1	2	3	4	5	Totals
sum access charges paid by non-residential	\$7,659	\$15,317	\$22,976	\$30,634	\$38,293	\$114,879
%	20	40	60	80	100	
subsidy by residential customer group	\$30,634	\$22,976	\$15,317	\$7,659	\$0	\$76,586
subsidy per residential bill	\$4	\$3	\$2	\$1	\$0	\$10

The fire service access charge relief totalled approximately \$180,000. A subsidy by the residential customers would effectively negate the proposed reduction for the residential bills. A more agreeable alternative

is to subsidise the \$180,000 for fire service access charges from sewerage working funds.

**REPORT IMPLICATIONS:**

▪ ***Environmental***

*The proposed cost relief to the 50 non-residential customers only secures the previously reported benefits of user-pays sewerage pricing, as Macleay Water is more likely to achieve the implementation smoothly with these larger customers 'on-side'.*

▪ ***Social***

*The cost relief proposed is a win-win solution to overcome business' concerns of having to reduce staff numbers within their existing workforce and limiting the cost burden to the residential customer.*

▪ ***Economic (Financial)***

*The non-residential customers facing the highest increases due to the new sewerage pricing (>\$5,000) are offered either permanent relief (reduction due to fire services) or an extended phase-in to ease the cost transition to the new sewerage pricing.*

*The cost impact to the residential customers is a prolonged phase-in of the previously proposed reduction in their sewerage bills. The same reduction is now proposed over 5 years instead of 3 years.*

▪ ***Policy or Statutory***

*Implementing user-pays sewerage pricing by July 1 2008 is a DEUS prerequisite for Best Practice Management of local water utilities, to be eligible for grants under the Country Towns Water Supply & Sewerage Programme and to be able to pay dividends to the general fund.*

*Adopting the 5-year phase-in of sewerage access charges for approximately 11 customers and the residential customers bearing the cost through an extended sewerage bill reduction means that Macleay Water is not compliant by the DEUS deadline. However, Macleay Water would be approximately 96% compliant and would have a resolution on how the compliance was to be achieved.*

▪ ***Director's Review***

*Council is urged to adopt the recommendation.*

**RECOMMENDATION:**

1. *That the sewerage pricing listed in [\(Appendix E\)](#) be incorporated into Council's 2005/6 Management Plan*
2. *That the General Manager be delegated to judge any further requests for cost relief related to the transition to the new sewerage pricing*
3. *That \$180,000 be transferred from Sewerage Working Funds to Sewerage Income for the 2005/2006 year to subsidise fire access charges.*

.....  
K J Finnie  
DIRECTOR SHIRE SERVICES